Document E-39. This document is a three page memorandum dated 10/18/68 to Director, Los Angeles District, from Inspector Lloyd Lehrer, Los Angeles District. Subject: Tax Status and Related Information of Church of Scientology of California. This memorandum is a report of investigation obtained from various State agencies on Scientology.

This document is released with deletions. The deleted portions in this entire document consist of the names of the various State agencies and individuals associated with the particular agencies. These deleted portions are exempt under 5 U.S.C. 552(b)(7)(D), because release of any portion would disclose the identity of a confidential source.

[illegible], LOS ANGELES DISTRICT October 18, 1968

Inspector Lloyd Lehner (308)
Los Angeles District

Tax Status and Related Information
of Church of Scientology of California

On the morning of 10/17/68 Chief Inspector Ziccardi and Supervisory Inspector Kimlel directed me to obtain information regarding the tax status of the Church of Scientology of California and any related information from any applicable revenue agency.

[redacted] said that no exemptions were given to any organizations with the exception of Charitable Organizations meeting the requirements of Section 214 of the [redacted] He stated that the Church of Scientology of California did not qualify as one of these organizations.

My next stop was at [redacted] where a [redacted] placed a call for me to [redacted] That office checked their index file and gave the following information;

- -

MR. ARTHUR A. DICKERMAN 10-25-68
GENERAL COUNSEL - LOS-DO

Submitted for your information.

KENNETH E. KIMLEL
Supervisory Inspector

The Church of Scientology of California is a non-profit corporation with a charter filed on 2/18/64 in Los Angeles County, Charter #283196, on 6/19/56 the name was changed from the Church of Scientology to the Church of Scientology of California, the status on the index was not tax exempt. [redacted] office gave the following phone number as the [redacted] This number was called and a Certified complete copy of the corporation charter and all amendments to date was requested, and is being sent to the Los Angeles District Office. [redacted] gave me an application for [redacted] and told me that all records pertinent to the Church of Scientology of California were located in [redacted] due to a centralization of all records.

[redacted] was contacted by me by phone and asked for all available information pertaining to the Church of Scientology of California. [redacted] informed me that the organization was presently under investigation by their office, but they were awaiting the outcome of the Federal Court Appeal before taking any further action and that their status at present was still tax exempt and that the information received from the [redacted] office as to their non-tax exempt status was incorrect. [redacted] further stated that he would need either a letter or someone with appropriate credentials at his office [redacted] before any information could be released. At this time I thanked [redacted] and informed him that the Sacramento resident would call on him for the necessary information. I contacted Inspector Howell of the Sacramento resident post and informed him of the necessary details; he stated he would go to [redacted] immediately and get the necessary records and forward them with a cover memo to Mr. Dickerman.

[redacted] gave the following information as to [redacted] the Church of Scientology of California first filed for an exemption as a church in 1964 and has been considered exempt to the present time. In 1967 the church first filed for a [redacted] and has maintained that exemption also. [redacted] gave me copies of the [redacted] provisions and a set of copies of the [redacted]

[redacted] said that the Church of Scientology of California has a business exemption for retail sales at an address of 258 South Oxford Ave. and a business exemption for retail sales at the address of 2003½ W. 9th St. At 2003½ W. 9th St. the church

also has a fire permit listed under the provision for schools. [redacted] stated that any organization that had any religious connotation to it either by its name or by anything in the content of their paper work was automatically granted an exemption. This exemption was then checked out by the [redacted]

[redacted] was contacted next. He supplied the following information; the Chruch of Scientology of California is presently in the exempt status, but the organization is being reinvestigated by his department and at present is being served through the [redacted] has been served upon them and the Church of Scientology of California has two or three weeks to answer. [redacted] gave me a copy of a letter from the Internal Revenue Service to himself dated March 21, 1967 in which they returned literature given to the IRS by the Social Service Department for use in the case of the founding Church of Scientology vs the United States, Court of Claims #226-61, and in the letter conveyed the thanks of a [redacted] gave me a copy of the cover memo for the investigation of the Church of Scientology of California by [redacted] At this time [redacted] gave me a copy of an inter-department memo of the [redacted] between [redacted] and he told me that the [redacted] considered the churches operation as a bunko operation as did the [redacted] informed me that he had a copy of the by-laws of the organization and would be happy to give us a copy of any records that we needed.

Lloyd Lehrer (308)
Inspector, Los Angeles District

LL:rcw
10/24/68

DIRECTOR, LOS ANGELES DISTRICT October 18, 1968

Inspector Lloyd Lehrer (308)
Los Angeles District

Tax Status and Related Information
of Church of Scientology of California

On the morning of 10/17/68 Chief Inspector Ziccardi and Supervisory Inspector Kimlel directed me to obtain information regarding the tax status of the Church of Scientology of California and any related information from any applicable revenue agency.

Mr. Derdenger of the California State Board of Equalization said that no exemptions were given to any organizations with the exception of Charitable Organizations meeting the requirements of Section 214 of the Revenue and Taxation Code (see Exhibit 1). He stated that the Church of Scientology of California did not qualify as one of these organizations.

My next stop was at the Franchise Tax Board of the State of California where a Mr. O.T. Johnson placed a call for me to the Secretary of State's office in Sacramento. That office checked their index file and gave the following information;

- -

MR. ARTHUR A. DICKERMAN 10-25-68
GENERAL COUNSEL - LOS-DO

Submitted for your information.

KENNETH E. KIMLEL
Supervisory Inspector

E-39

The Church of Scientology of California is a non-profit corporation with a charter filed on 2/18/64 in Los Angeles County, Charter #283196, on 6/19/56 the name was changed from the Chur ch of Scientology to the Church of Scientology of California, the status on the index was not tax exempt. (The Secretary of State's) office gave the following phone number as the (Certification Branch of the Franchise Tax Board in Sacramento; Area Code 916/445-1430.) This number was called and a Certified complete copy of the corporation charter and all ammendments to date was requested, and is being sent to the Los Angeles District Office. (Mr. Johnson) gave me an application for Exemption From Tax (see Exhibit 2) and told me that all records pertinent to the Church of Scientology of California were located in (the Scaramento office) due to a centralization of all records.

(Mr. Dwane Reule, phone number 445-1760, of the Scaramento office of the Franchise Tax Board) was contacted by me by phone and asked for all available information pertaining to the Church of Scientology of California. (Mr. Reule) informed me that the organization was presently under investigation by their office, but they were awaiting the outcome of the Federal Court Appeal before taking any further action and that their status at present was still tax exempt and that the information received from the (Secretary of State's) office as to their non-tax exempt status was incorrect. (Mr. Reule) further stated that he would need either a letter or someone with appropriate credentials at his office in (Sacramento) before any information could be released. At this time I thanked (Mr. Reule) and informed him that the Sacramento resident would call on him for the necessary information. I contacted Inspector Howell of the Sacramento resident post and informed him of the necessary details; he stated he would go to (the Franchise Tax Board) immediately and get the necessary records and forward them with a cover memo to Mr. Dickerman.

(Mr. Sydney Meisel of the County Assessor's office) gave the following information as to (County Property Tax:) the Chruch of Scientology of California first filed for an exemption as a church in 1964 and has been considered exempt to the present time. In 1967 the church first filed for a (Welfare Exemption) and has maintained that exemption also. (Mr. Meisel) gave me copies of the (Welfare Exemption) provisions and a set of copies of the (Welfare exemption application (see Exhibits 3 and 4).)

(Mr. Jim Keener of the Los Angeles City Business License Department, Investigation Division) said that the Church of Scientology of California has a business exemption for retail sales at an address of 258 South Oxford Ave. and a business exemption for retail sales at the address of 2003 W. 9th St. At 2003 W. 9th St. the church

also has a fire permit listed under the provision for schools. Mr. Keener stated that any organization that had any religious connotation to it either by its name or by anything in the context of their paper work was automatically granted an exemption. This exemption was then checked out by the Social Service Department located on the 15th Floor of the City Hall.

Mr. George Delianedis, the senior investigator of the Social Service Department of the City of Los Angeles was contacted next. He supplied the following information; the Church of Scientology of California is presently in the exempt status, but the organization is being reinvestigated by his department and at present is being served through the City Clerk with a Notice of Possible Non Compliance with the Tax and Revenue Laws. This Notice of Non Compliance has been served upon them and the Church of Scientology of California has two or three weeks to answer. Mr. Dilianedis gave me a copy of a letter from the Internal Revenue Service to himself dated March 21, 1967 in which they returned literature given to the IRS by the Social Service Department for use in the case of the founding Church of Scientology vs the United States, Court of Claims #226-61, and in the letter conveyed the thanks of a Mrs. Charlotte Murphy, Attorney in the Chief Counsels office to Mr. George Delianedis (see Exhibit 5). Mr. Delianedis gave me a copy of the cover memo for the investigation of the Church of Scientology of California by his organization (see Exhibit 6). At this time Mr. Delianedis gave me a copy of an inter-department memo of the City of Santa Monica dated September 26, 1968 between Captain Askew of the Police Department and Detective Frank of the same department, and he told me that the Police Department of the City of Santa Monica considered the churches operation as a bunko operation as did the City of Los Angeles Bunko Squad. Mr. Delianedis informed me that he had a copy of the by-laws of the organization and would be happy to give us a copy of any records that we needed.

Lloyd Lehrer (308)
Inspector, Los Angeles Diotrict

LL:rcw
10/24/68